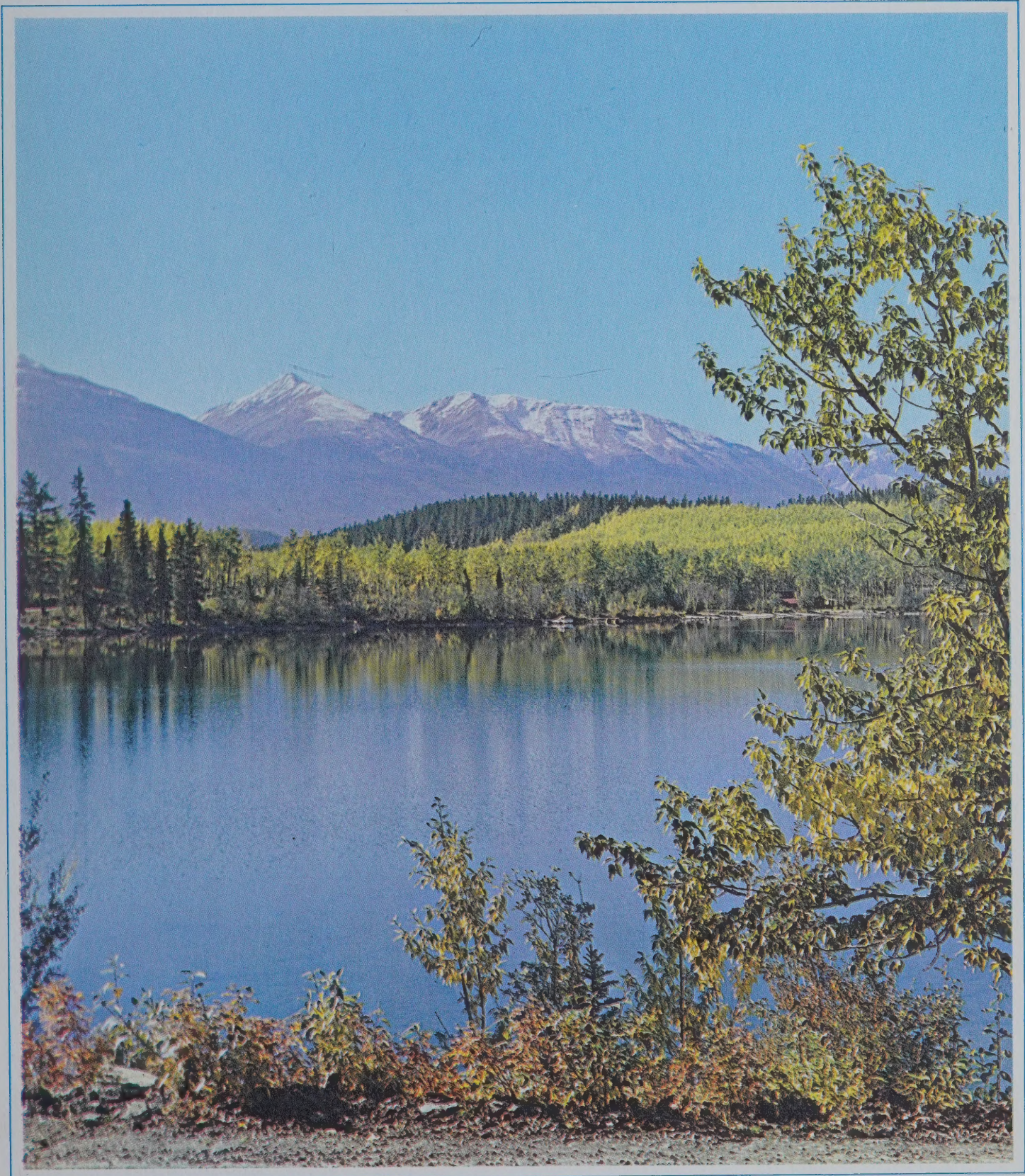


AR16 International Utilities Corporation
Fortieth annual report to shareholders
1964

Jepp



Principal subsidiaries



The Province of Alberta, shown in the map of our service area on the following page, is indicated above in dark blue.

Contents

Highlights	1
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Financial statements	13
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Funded debt	17
Notes to financial statements	18
Comparative ten-year record	20

THE COVER: Pyramid Lake with The Whistlers in the background, Jasper National Park, Alberta. The town of Jasper is supplied with natural gas and electricity by Northland Utilities Limited.

Canadian companies

Canadian Western Natural Gas Company Limited (Canadian Western)

Distributes natural gas in the cities of Calgary and Lethbridge, the town of Banff and 81 other communities in southern Alberta. Population of the area served is about 409,000.

Northwestern Utilities, Limited (Northwestern)

Distributes natural gas in the Capital City of Edmonton, the cities of Red Deer, Camrose and Wetaskiwin and 76 other communities in central Alberta. Population of the area served is about 470,000.

Canadian Utilities, Limited (Canadian Utilities) and its subsidiaries, Fort McMurray Power Company Limited, Yukon Hydro Company Limited and The Yukon Electrical Company Limited

Supply electricity to 253 communities in central and northern Alberta, 1 in Saskatchewan and 10 in the Yukon Territory. Serve 139 rural electrification associations, 45 oilfields and 15 other groups. The area served has an estimated aggregate population of 165,000.

Northland Utilities Limited (Northland Utilities) and its subsidiaries, Northland Utilities (B.C.) Limited and Uranium City Power Co. Ltd.

Supply electricity to 40 communities in northern Alberta, 3 in the Northwest Territories and Uranium City, Saskatchewan. Serve 33 rural electrification associations. Distribute natural gas to 27 communities in northern Alberta and to 3 in British Columbia. A population of about 39,000 is served with electricity and about 46,000 with natural gas.

Canadian Coachways Limited (acquired in 1965)

Operates motor bus routes in Alberta, British Columbia, Yukon and Northwest Territories.

The North West Fidelity Trust Company, Limited

A fiscal company which finances the purchase of homes for system employees and acts as agent for the system companies in various matters.

Gotaas-Larsen shipping companies

Ocean Oil Operation, Inc. (Panama) and its subsidiaries, Ocean Oil Operation, Inc. (Liberia), Ocean Oil Associates, Inc. (Liberia), Ocean Oil Carriers, Inc. (Liberia), Ocean Oil International, Inc. (Liberia) and Gotaas-Larsen Limited (Bahamas), which in turn has four subsidiaries in South America.

Ocean Oil Traders, Inc. (Liberia)

Ocean Oil Transport, Inc. (Liberia)

Emerald Shipping Corporation (Liberia)

Emerald Shipping Corporation (Panama)

Naviera Panamericana, S.A. (Panama)

Sterling Tankers Limited (Bahamas)

Gotaas-Larsen, Inc. (U.S.A.)

Gotaas-Larsen Corporation (U.S.A.)

At December 31, 1964 the above companies owned and operated four oil tankers and one bulk carrier and operated one tanker and nine bulk carriers under inward charters. Building or planned are four new tankers, five bulk carriers (including two to be chartered inward) and two refrigerator ships. All of the above vessels total about 1,100,000 deadweight tons of shipping.

Other United States companies

Brown Brothers Contractors, Inc. (Brown Brothers) and its subsidiary, The Kaiser-Nelson Corporation (Kaiser-Nelson)

Engaged in the recovery of steel and iron scrap at steel plants, the processing of slag and crushed stone and sale of such products. Operations are conducted in Pennsylvania, Ohio and New Jersey. Also has a demolition division which operates throughout the United States.

Corporacion Chatarraven, C.A.

Began steel scrap recovery operations in Venezuela in 1964.

International Utilities Inc.

Holds a portfolio of investments in U.S. companies.

International Utilities Company

A service organization for the system companies.

Other companies

Brown Brothers de Mexico, S.A.

Began steel scrap recovery operations in 1965 at government owned steel plant at Monclova, Mexico.

Highlights

FINANCIAL

	1964	1963	1954
Gross income:	(Canadian currency—see note 1 page 18)		(U.S. currency)
Natural gas	\$ 43,126,125	\$ 39,471,085	\$16,463,703
Electricity	13,196,184	12,205,406	3,432,722
Shipping companies (from September 1, 1963)	17,678,912	5,237,904	—
Industrial companies	7,896,061	3,656,280	—
Interest and dividends	2,033,296	1,631,600	417,557
Rentals and miscellaneous	931,769	681,674	186,891
Propane gas, appliances and equipment	—	—	3,562,465
Total gross income	<u>\$ 84,862,347</u>	<u>\$ 62,883,949</u>	<u>\$24,063,338</u>
Consolidated net income:			
Excluding gain on disposition of investments	\$ 10,670,115	\$ 7,802,479	\$ 2,973,044
Gain on disposition of investments, less U.S. capital gains tax, etc.	836,080	1,326,788	511,819
Total	<u>11,506,195</u>	<u>9,129,267</u>	<u>3,484,863</u>
Provision for dividends on \$2 preferred shares	1,097,524	1,257,076	(see note)
Balance	<u>\$ 10,408,671</u>	<u>\$ 7,872,191</u>	<u>\$ 3,484,863</u>
Shares outstanding:			
\$2 convertible preferred	21,789	581,496	—
Common (see note)	<u>6,713,246</u>	<u>5,572,563</u>	<u>4,838,348</u>
Earnings per common share (based on average shares outstanding during the year):			
Excluding gain on investments	\$ 1.67	\$ 1.26	\$.61
Including gain on investments	1.82	1.52	.72
Dividends per common share	.90	.80	.36¼
Shareholders' equity (consolidated)	102,301,277	96,787,712	28,478,430
Unrealized market appreciation in investments (consolidated)	17,813,121	10,520,872	3,019,574
Gross property additions	18,324,000	16,022,000	8,952,000
Total assets (consolidated)	\$249,084,210	\$233,531,565	\$91,543,281

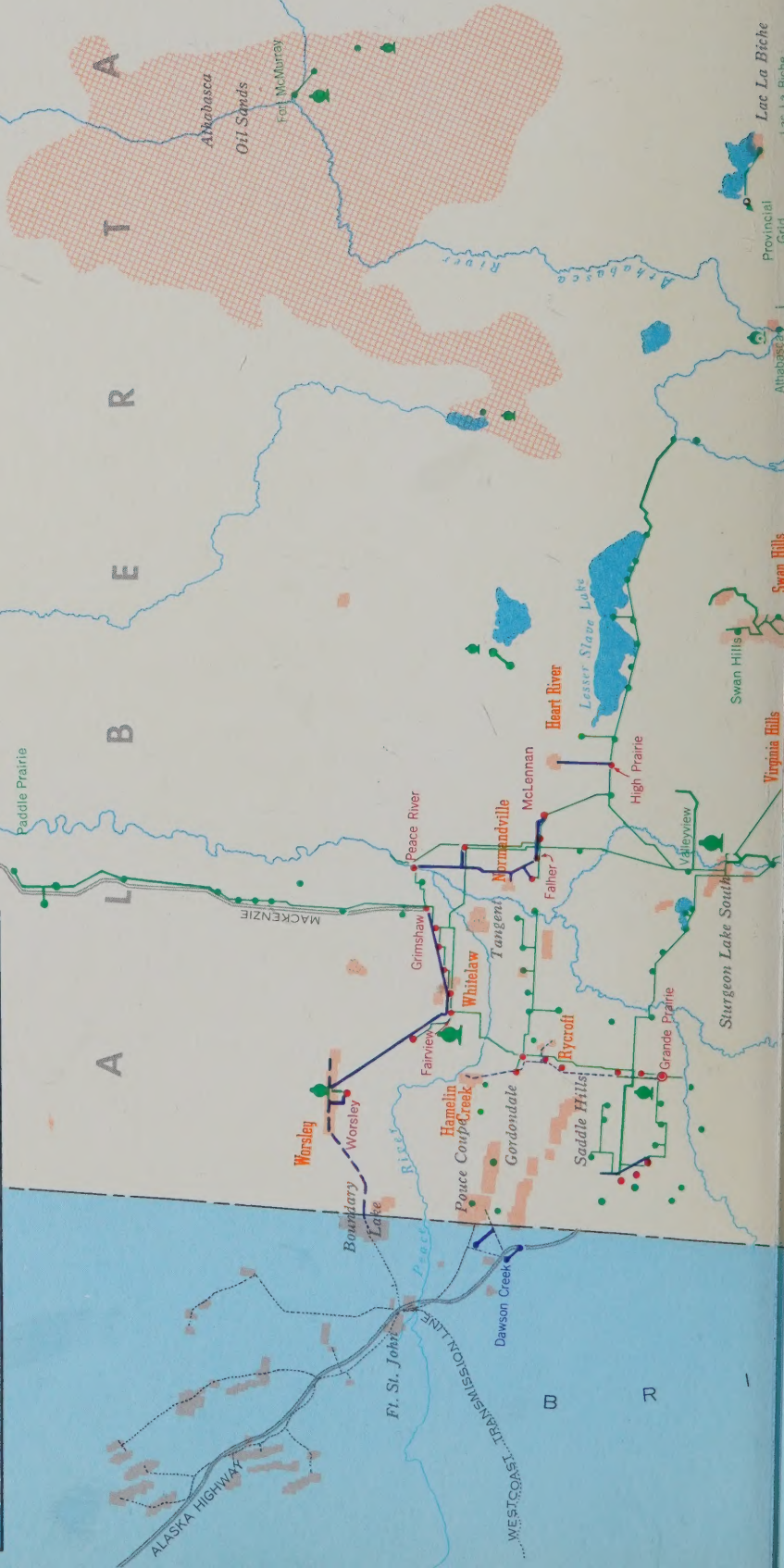
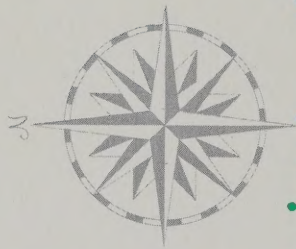
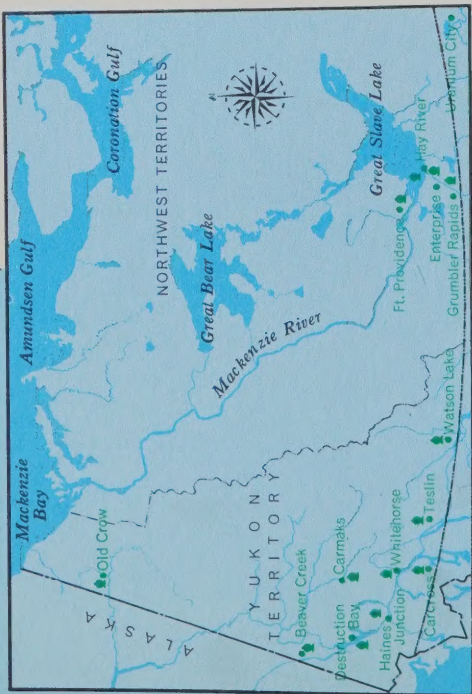
STATISTICAL

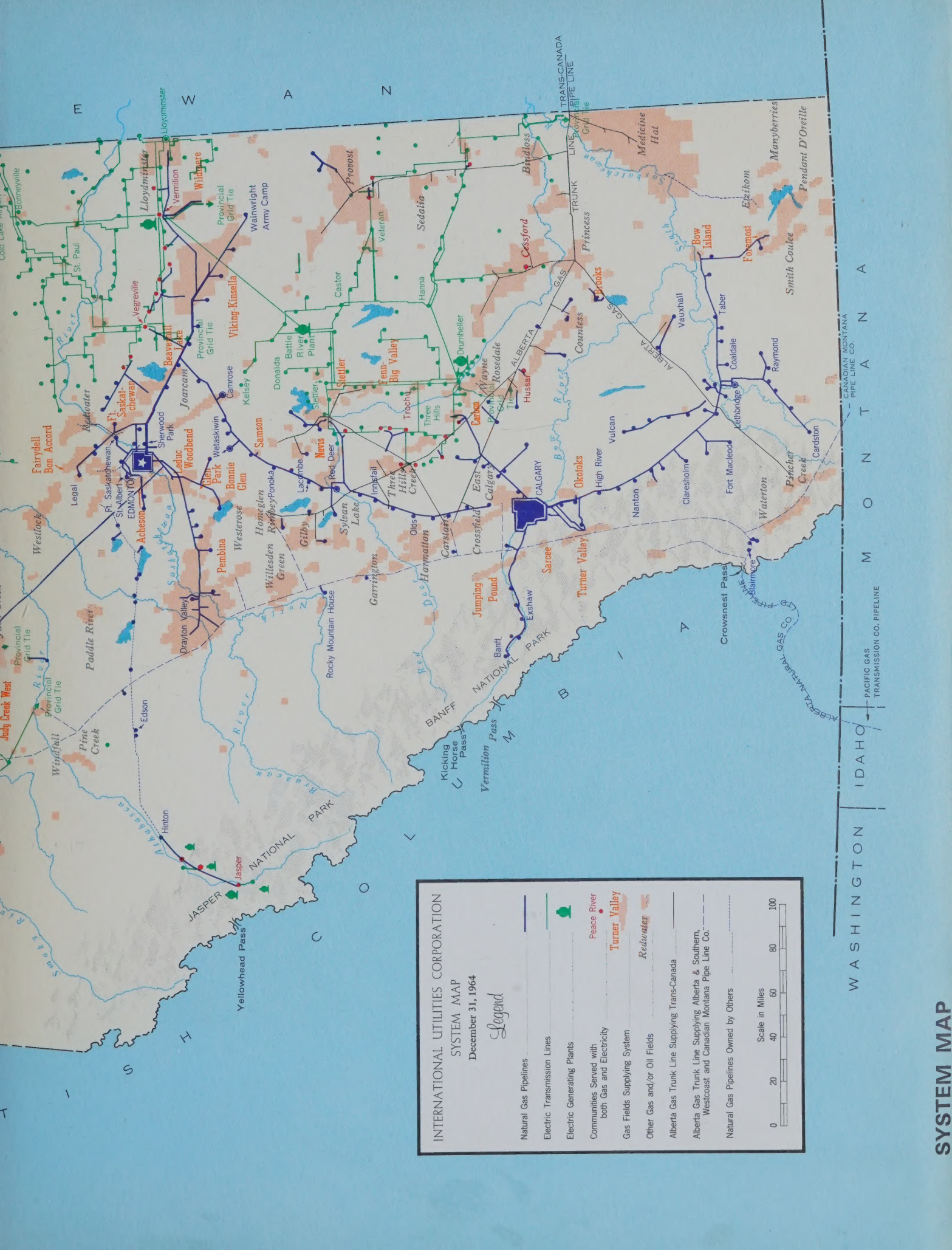
Number of customers end of year:			
Natural gas	231,484	222,822	118,798
Electric	64,021	62,523	31,811
Total	<u>295,505</u>	<u>285,345</u>	<u>150,609</u>
Natural gas sold in MCF (thousand cubic feet)	122,863,036	115,007,585	64,233,632
Electricity sold in KWH (kilowatt hours)	424,671,165	371,261,227	89,624,987

Note: The number of common shares, earnings and dividends per share for 1954 have been adjusted to basis of shares outstanding after giving effect to (1) the 100% conversion of \$1.40 convertible preferred stock, (2) the share-for-share distribution of common stock in 1957 and (3) the two-for-one stock split which became effective May 15, 1963.

See page 20 for a comparative ten-year summary of net earnings and other statistics.

Fort Smith





International Utilities Corporation

200 University Avenue, Toronto 1, Ontario, Canada

Directors

Honorary Chairman : H. R. Milner, Q.C., Edmonton, Alberta
Chairman : Howard Butcher, III, Villanova, Pa.
Eric M. Butler, Upper Montclair, N.J.
John C. Dale, Edmonton, Alberta
Robert C. Heim, Briarcliff Manor, N.Y.
H. Irgens Larsen, Armonk Village, N.Y.
F. Clarence Manning, Calgary, Alberta
Willis S. McLeese, Toronto, Ontario
Norman S. Robertson, Q.C., Toronto, Ontario
John M. Seabrook, Salem, N.J.
Peter N. Thomson, Montreal, Quebec
Theodore S. Watson, Greenwich, Conn.
Bruce F. Willson, Calgary, Alberta
Dennis K. Yorath, Edmonton, Alberta

Directors of International Utilities Company

Howard Butcher, III, Villanova, Pa.
Hadley Case, Greenwich, Conn.
J. Paul Crawford, Jr., Pennington, N.J.
Sir Geoffrey Crowther, London, England
Robert C. Heim, Briarcliff Manor, N.Y.
William M. Hunt, Cohasset, Mass.
H. Irgens Larsen, Armonk Village, N.Y.
Walter P. Miller, Jr., Philadelphia, Pa.
H. R. Milner, Q.C., Edmonton, Alberta
Duncan M. Spencer, Bedford Hills, N.Y.
Maurice F. Strong, Beaconsfield, Quebec
Wendell E. Warner, Wayne, Pa.
Theodore S. Watson, Greenwich, Conn.
William M. Weaver, Jr., New York, N.Y.

Officers of International Utilities Corporation

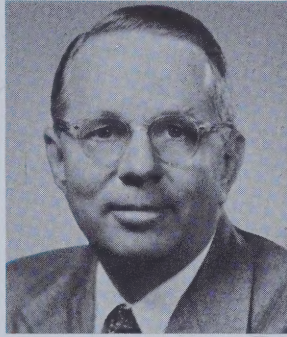
Howard Butcher, III, Chairman of the Board
John M. Seabrook, President
Eric M. Butler, Vice President and Secretary
John C. Dale, Vice President
(President of Canadian Utilities and Northland Utilities,
Chairman of Canadian Coachways)
H. Irgens Larsen, Vice President
(President of Gotaas-Larsen, Inc.)
Norman S. Robertson, Q.C., Vice President
Dennis K. Yorath, Vice President
(Chairman of Canadian Western and Northwestern)
William F. Egan, Treasurer and Assistant Secretary
John K. Eaton, Assistant Secretary and Assistant Treasurer
William H. Walker, Assistant Secretary and
Assistant Treasurer

Other Operating Company Executives

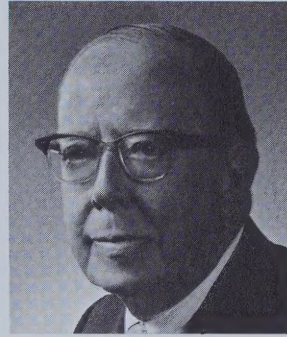
Bruce F. Willson
President of Canadian Western and Northwestern
Robert W. Wolcott, Jr.
President of Brown Brothers
M. R. Collins
President of Canadian Coachways
Kenneth L. MacFadyen
Vice President and Comptroller of Canadian Western, Northwestern,
Canadian Utilities and Northland Utilities
John E. Maybin
Vice President of Canadian Western and Northwestern
Murray E. Stewart
Vice President and General Manager of Northwestern
Vice President of Canadian Western
Egerton W. King
Executive Vice President of Northland Utilities
R. Cody McPherson
Vice President of Northland Utilities
John L. Schlosser
Vice President of Northland Utilities
George L. Smith
Vice President, Secretary and Treasurer of Brown Brothers
Harry D. George
Vice President of Brown Brothers
Christian J. Mahlstedt
Vice President of Gotaas-Larsen, Inc.
Harry M. Hunter
General Manager of Canadian Western
John N. Ford
General Manager of Canadian Utilities
Douglas Mitchell
General Manager of Northland Utilities
Harvey S. Greenway
Secretary of Canadian Western
Cyril L. Metcalfe
Secretary of Northwestern
Thomas A. Montgomery
Secretary of Canadian Utilities
William A. Sullivan
Secretary of Northland Utilities and Canadian Coachways
V. Kristoffersen
Secretary of Gotaas-Larsen, Inc.
W. Lloyd McPhee
Treasurer of Canadian Western
John B. Whelihan
Treasurer of Northwestern
Allen M. Anderson
Treasurer of Canadian Utilities
Edward G. Ringrose
Treasurer of Northland Utilities
Louis V. Krall
Treasurer of Gotaas-Larsen, Inc.

The Corporation's preferred and common shares are listed on the New York, Montreal, Toronto and Philadelphia-Baltimore-Washington stock exchanges. Empire Trust Company in New York and Montreal Trust Company in Montreal, Toronto and Calgary are the transfer agents. The registrars are Chemical Bank New York Trust Company and Crown Trust Company.

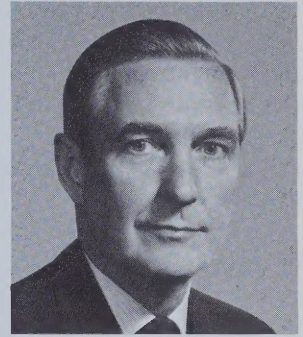
Executive directors



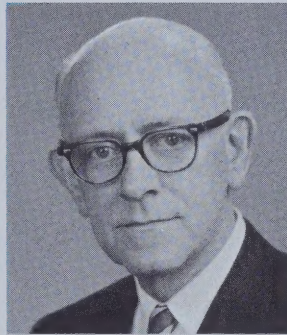
Howard Butcher, III



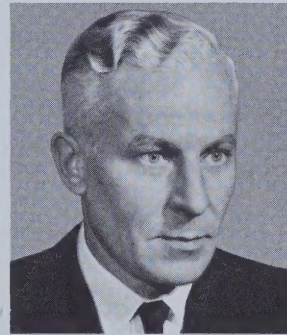
H. R. Milner, Q.C.



John M. Seabrook



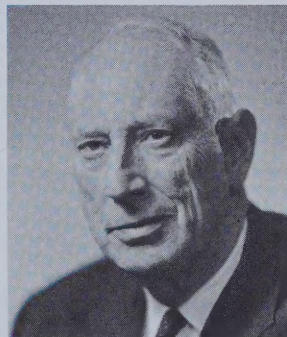
Eric M. Butler



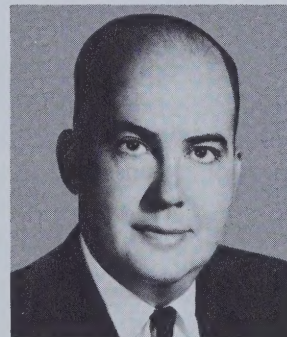
John C. Dale



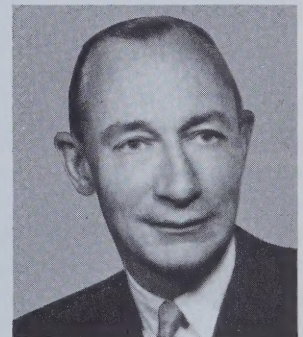
H. Irgens Larsen



Norman S. Robertson, Q.C.



Bruce F. Willson



Dennis K. Yorath

To the shareholders

Our Company's fortieth year was one of outstanding growth and progress. The public utility operations in western Canada again made new highs in gross revenues, gas and electric output, customers served and net income. The shipping and other non-utility operations were expanded during the year and accounted in large part for the substantial improvement in earnings.

Consolidated net income, excluding gain on disposition of investments, amounted to \$10,670,115. This was an increase of \$2,867,636, or 36% over 1963. Such net earnings were equal to \$1.67 per share based on the average number of shares outstanding as compared with \$1.26 per share for 1963.

A total of 559,707 preferred shares were converted into 1,119,285 common shares during the year leaving only 21,789 shares of \$2 convertible preferred outstanding at the year end. The remaining shares have been called for redemption as of June 1, 1965. We expect that substantially all of such shares will be converted into common, at the conversion rate of 1.8 common for each share of preferred.

If 100% of the outstanding preferred shares had been converted for the entire year, consolidated net income for 1964, excluding gain on disposition of investments, would have been equal to \$1.58 per share on the 6,752,466 common shares which would have been outstanding.

Net gain on disposition of investments amounted to \$836,080 after provision for income taxes and expenses. Including such gain, consolidated net income for 1964 amounted to \$11,506,195 or \$1.82 per share on the average number of shares outstanding as compared with \$9,129,267 or \$1.52 per share in 1963. During the past ten years such net gains aggregated \$17,838,000. At their year-end quotations the marketable securities owned exceeded cost by \$17,800,000 in 1964 as compared with \$10,500,000 in 1963. At March 10, 1965 quotations, further price advances, particularly in Pennsylvania and New York Central Railroad shares, have increased this unrealized appreciation to about \$23,500,000.

With a full year's operation as compared with only four months in 1963, the shipping companies made a notable contribution of \$2,253,771 (U.S.—before income taxes) to consolidated net income for 1964. Net income from operations of our steel scrap and slag companies reached \$1,004,000 (U.S.), up sharply from the \$416,115 reported for 1963. This was largely due to Brown Brothers' acquisition of the Kaiser-Nelson business last August.

On January 21, 1965 we acquired all of the preferred and 90% of the outstanding common shares of Canadian Coachways Limited, of Edmonton, Alberta. This should provide us with a good base for expansion in the motor bus transportation field in western Canada.

Early in February 1965, we entered into an agreement to purchase the Ryder System's investments in motor trucking subsidiaries. The purchase price is about \$16,000,000 and the companies to be acquired have outstanding about \$25,000,000 in prior debt. Settlement is contingent upon certain approvals by the U.S. Interstate Commerce Commission.

Our decision to purchase the Ryder companies was based on a thorough investigation over several months, which included reports and recommendations by leading consultants in the trucking field. We have a well defined program to improve the business and effect substantial economies. We are confident that this transportation investment will soon prove to be another important and profitable step in our diversification program.

The regular quarterly dividend rate on our common shares was increased on September 1, 1964 from 20¢ to 25¢ per share in Canadian funds. This brought total dividend payments in 1964 up to 90¢ per share as compared with 80¢ paid in 1963. We have now declared common share dividends in increased amounts each year for the past twenty years.

We deeply regret to record the passing, on February 15, 1965, of Mr. Frederick B. Wilcox, a Director of the Company for many years. His services were outstanding and our successful investment record has been due in no small measure to his initiative and counsel.

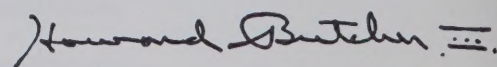
Mr. H. R. Milner, one of Alberta's most outstanding citizens, has been associated with our Corporation since its inception in 1924. On February 4th of this year the Board accepted his resignation as Chairman of the Board with sincere regret. He was appointed Honorary Chairman of the Board and will continue as a Director.

Mr. Howard Butcher, III, was elected Chairman of the Board and Mr. John Seabrook, a Director and former Vice President, succeeded Mr. Butcher as President.

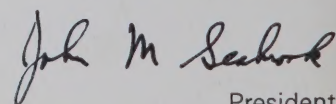
It is a distinct pleasure to record our sincere appreciation to the officers and employees who contributed so much to the successful results of the past year.

In the following pages you will find a more detailed account of our activities and operations.

For the Board of Directors



Chairman



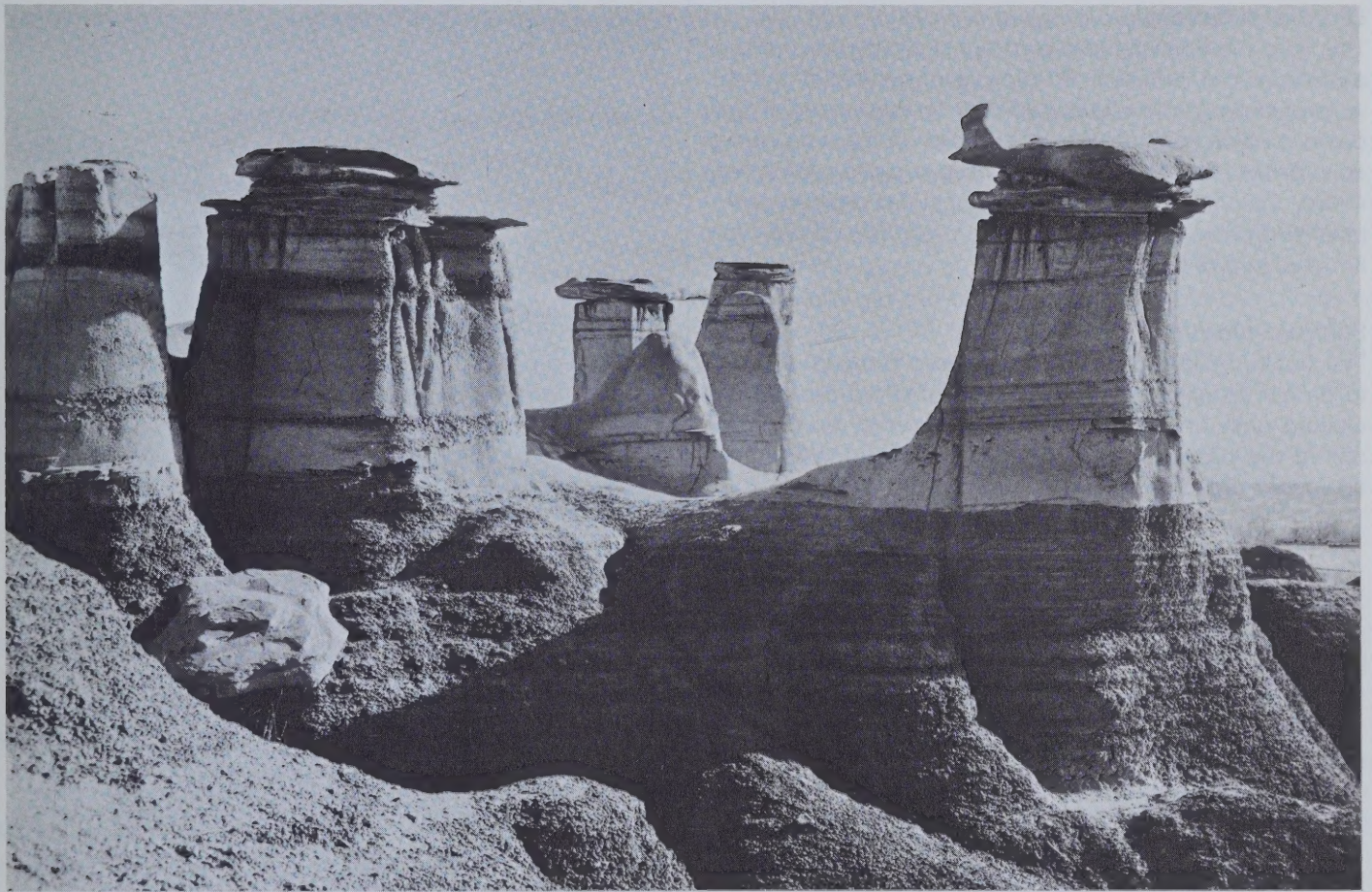
President

March 11, 1965

Fascinating formation, known as
"Hoodoos", created by erosion in the Red
Deer river valley, near Drumheller, Alberta.

62 foot rotating gas beacon at Edmonton
International Airport.

Edmonton's new International Airport.



Review of operations

Financial statements

This year the financial statements include the accounts of all subsidiaries, whereas, in prior years non-utility subsidiaries were not consolidated except to the extent of their net income. In addition, the presentation of the statement of consolidated income has been revised so as to set out separately the principal sources of income. Accordingly, comparative figures for 1963 have been restated on the basis adopted in 1964.

Sources of income

The public utility operations in western Canada continue to be our primary business. Consolidated net income, excluding gain on disposition of investments, was derived during the past two years from the four segments of our business as follows:

	1964	1963
Public utilities	63.7%	78.7%
Shipping companies	15.1	5.7
Industrial companies	9.4	5.3
Other investments	11.8	10.3
Total	100.0%	100.0%

For the purpose of the foregoing we have made what we consider to be appropriate allocations of income taxes and other expenses of the Parent Company.

Natural gas operations

Again last year, our System companies distributed more gas to their customers than any other company in Canada. Natural gas sales reached 123 billion cubic feet, an increase of 7.9 billion, or 6.8% for the year. Gross revenues from such sales were \$43,126,125, up \$3,655,040, or 9.3%.

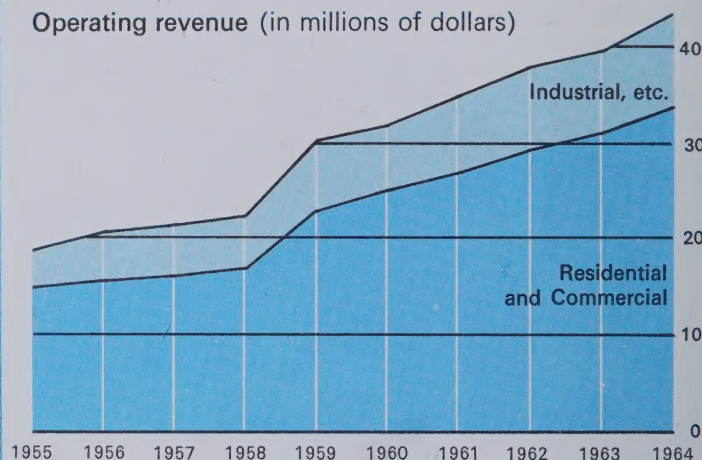
Although last December was very cold, average temperatures for the full year in our service areas were warmer than normal for the fifth consecutive year. Gas sales and revenues were below normal by an estimated two billion cubic feet and \$708,000 as compared with 4.2 billion cubic feet and \$1,450,000 in 1963.

Our gas rates to customers were unchanged and remain virtually the lowest on the North American continent. Despite the severe climate of the area served, the average residential customer bill last year was only \$107. In addition to house heating, this in almost all cases included gas used for other purposes, such as water heating, cooking, clothes drying, etc.

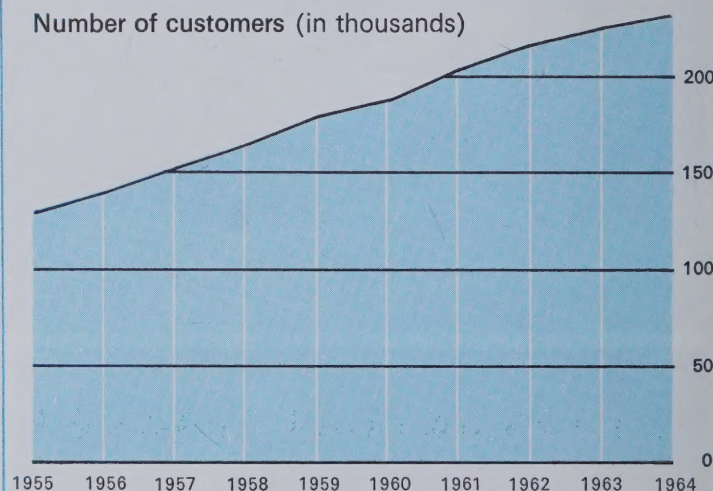
Our natural gas distributing subsidiaries now serve about 232,000 customers in 194 communities in western Canada.

Natural Gas sales and customers

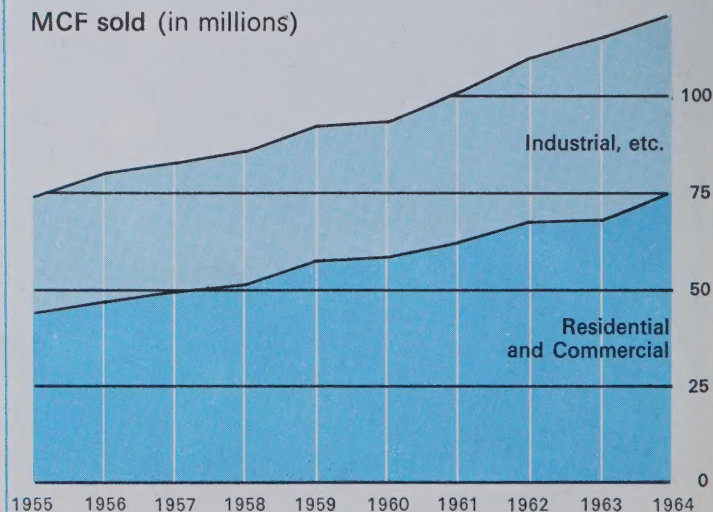
Operating revenue (in millions of dollars)



Number of customers (in thousands)



MCF sold (in millions)



Installation of a new distribution main in Red Deer, Alberta.

Canadian Western's new service centre, Calgary.



This includes 10,600 customers served by Northland Utilities, which distributes both gas and electricity.

Canadian Western reported 1964 net income applicable to its ordinary shares of \$2,168,801, or \$1.22 per share, as compared with \$1,884,936, or \$1.06 per share in 1963. Northwestern reported net income after preferred dividends of \$2,836,307, an increase of \$247,522 over 1963. International owns 87.7% of the Canadian Western and 100% of the Northwestern outstanding common shares.

The natural gas systems were expanded last year to serve approximately 8,700 new customers. The gas properties now include 2,539 miles of transmission and field and 2,728 miles of distribution lines or a total of 5,267 miles of pipe line.

Gross capital expenditures last year on natural gas properties amounted to \$5,774,000. It is estimated that over \$9,000,000 will be expended in 1965.

Natural gas supply

Our gas supplies are in a good position but we are continually studying the best methods for further augmenting present sources. The estimated recoverable reserves of natural gas at fields in which the System companies produce, purchase or own gas aggregate 4.2 trillion cubic feet. We also have firm agreements with the major gas exporting companies which give us priority over export demand on substantial quantities of gas if needed for our Alberta customers.

Our companies purchased approximately 79% of their 1964 gas requirements. The balance was produced from company owned wells and leases.

The combined maximum daily demand on the natural gas systems during 1964 was 783 million cubic feet as compared with 657 million in 1963. Their combined maximum daily delivery capacity (excluding emergency interconnections) was 820 million cubic feet at the end of the year.

Electric operations

Electric current sold by Canadian Utilities and Northland Utilities last year amounted to 424,671,165 KWH, an increase of 14.4% over 1963. Gross revenue from such sales amounted to \$13,196,184, an increase of 8.1%. Rates to customers were reduced during 1964 and with the increase in number of customers and use per customer, both companies were able to introduce further substantial reductions for 1965. Uniform rate patterns have now been established by the two companies throughout the Province of Alberta.

The electric companies now own and operate generating stations with an aggregate capacity of about 172,000 KW. The combined maximum peak hour demand in 1964 was 137,000 KW.

Review of operations

The two companies expect to spend about \$8,000,000 on capital additions to the electric properties in 1965. This includes about \$1,400,000 for preliminary work and progress payments on a new 75 megawatt unit to be commissioned at the Battle River plant in 1968.

About 480 miles of transmission and distribution lines were added last year. Our electric system now consists of 6,126 miles of line of which 4,553 miles are transmission and 1,573 are distribution. Gross capital expenditures in 1964 on the electric properties amounted to \$6,276,000.

Canadian Utilities reported consolidated net income last year applicable to its common shares of \$1,977,513, or \$2.31 per share. This compares with \$1,852,489, or \$2.18 per share in 1963. International owns 74% of the outstanding common shares.

Northland Utilities (which distributes both gas and electricity) reported consolidated net income last year applicable to its common shares of \$606,136, or \$1.69 per share. This compares with \$577,237 or \$1.61 per share reported for 1963. However, if the company had continued to provide for deferred income taxes on the same basis as in prior years, the provision for income tax would have been \$125,734 greater in 1964 and the net income correspondingly reduced. This change in accounting was ordered by the Public Utilities Board of Alberta.

Steel scrap, slag and crushed stone operations

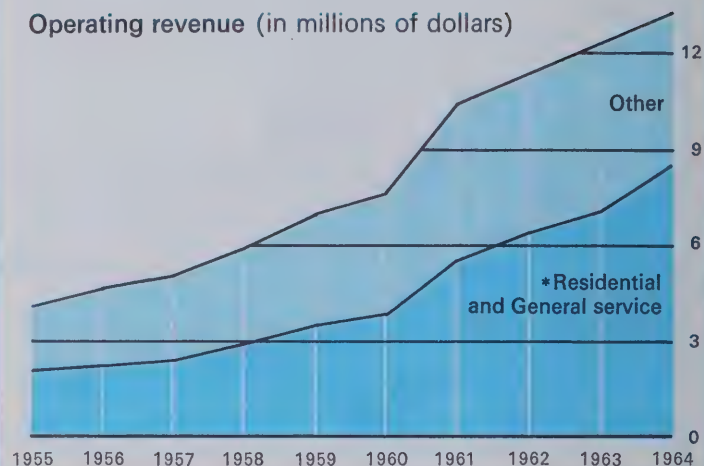
You were advised in our interim report of the acquisition by Brown Brothers last August of The Kaiser-Nelson Corporation. Almost all of the outstanding shares of that company have now been acquired at an aggregate cost of \$3,250,000. Both companies are engaged in the recovery of steel and iron scrap, the processing of slag and the sale of such products. The operations of Kaiser-Nelson are conducted in western Pennsylvania and Ohio and it also has a subsidiary which handles demolition and dismantling contracts from coast to coast. Kaiser-Nelson's consolidated net sales for 1964 were \$6,143,000 as compared with \$4,246,000 for Brown Brothers.

The earnings of Kaiser-Nelson have been included with those of Brown Brothers only for the last five months of 1964. During that period operations have been highly profitable and consolidated net income of Kaiser-Nelson actually exceeded the amount reported for the full year 1963. We do not expect net earnings to continue at this high rate.

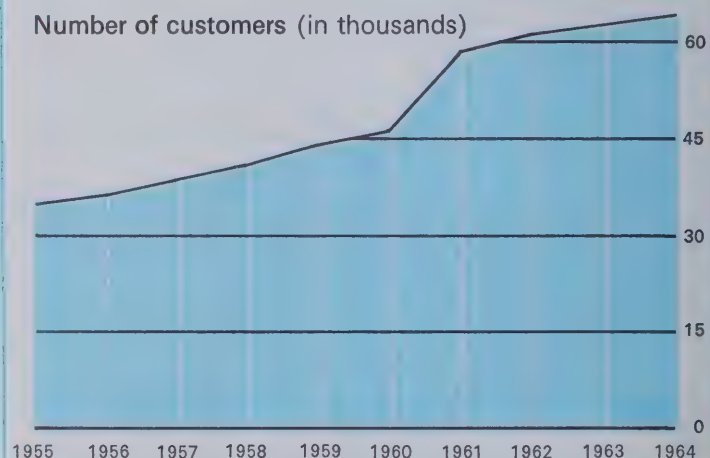
Both sales and profits of Brown Brothers, excluding Kaiser-Nelson, were up sharply over the preceding year. This was not only due to the high operating rate of the steel industry but also to new business obtained by our sales organization.

Electric sales and customers

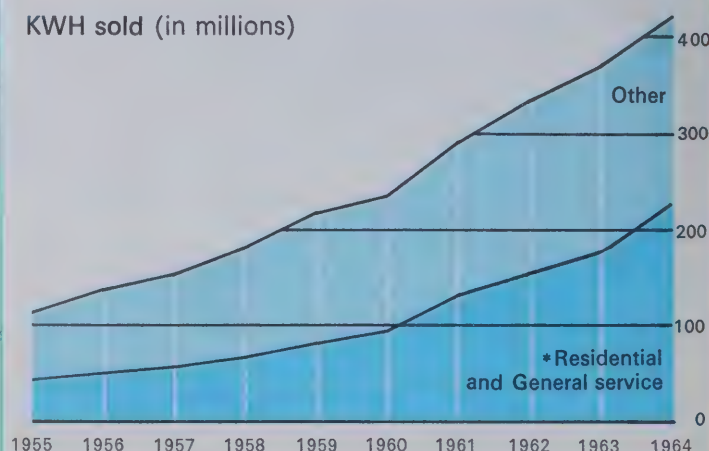
Operating revenue (in millions of dollars)



Number of customers (in thousands)



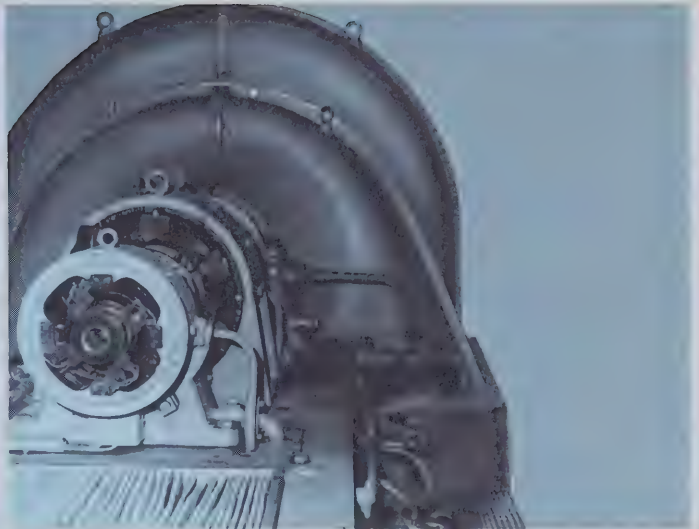
KWH sold (in millions)



*Service classified as "commercial" and "small industrial" in prior years was reclassified in 1964 as "general service".

Plant Engineer watches control panel on initial run of new unit (at right) installed in 1964 which doubled the capacity of Canadian Utilities' Battle River plant.

1,000-pound ball suspended from a helicopter successfully used by Kaiser-Nelson to knock down grain elevator, on the Hudson river, which was surrounded by water.



Review of operations

Refrigerator ship "Golarfruit" and lightening ship "Don Segundo Sombra" added to our shipping fleet in 1965.

The following is a comparative summary of the combined operations of the steel scrap and slag companies, including Kaiser-Nelson for five months only, (in U.S. funds) :

	1964	1963
Net sales	\$7,896,061	\$3,656,280
Gross profit before depreciation	3,238,298	1,464,847
Other income	66,738	55,603
Total	3,305,036	1,520,450
Selling, administrative and general expenses	803,313	363,549
Federal and state income taxes	860,879	472,500
Depreciation and amortization	568,534	268,286
Interest expense	68,310	—
Net income from operations	1,004,000	416,115
Net gain on investments	63,963	29,776
Net income	\$1,067,963	\$ 445,891

Shipping operations

Combined net income of the shipping companies last year amounted to \$2,112,519 (U.S.), an increase of \$739,628 over the amount reported for the full year 1963. These companies were acquired by our Corporation in August 1963 and their net income for only the last four months of that year, or \$610,131, was included in our consolidated net earnings. In addition, we received interest income of \$141,252 in 1964 and \$9,775 in 1963 on cash advances to the shipping companies for the purpose of new ship-building and improvements.

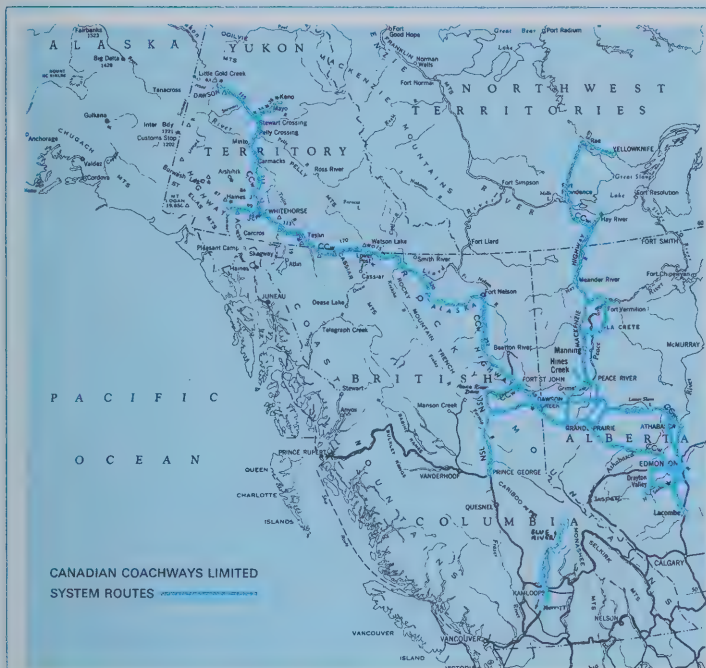
No dividends have been received from the shipping companies and none are expected in 1965. Any future distributions would be taxable to International at the then applicable U.S. income tax rate (now 48%). A provision for income taxes of about 25% (\$523,000 in 1964 and \$149,000 in 1963) of the combined net income of the shipping companies is included in the consolidated accounts.

The following is a comparative combined statement of income of the shipping companies for the full two-year period (in U.S. funds) :

	1964	1963
Operating revenues	\$17,678,912	\$15,008,557
Interest income	166,750	179,532
Total	17,845,662	15,188,089
Deduct:		
Operating expenses	13,423,665	11,396,113
Depreciation	1,705,262	1,717,521
Interest expense	584,447	688,192
Provision for income taxes	19,769	13,372
Total	15,733,143	13,815,198
Net income	\$ 2,112,519	\$ 1,372,891



Coachways bus transferring passengers and baggage to "dog-sled", north of Yellowknife, N.W.T.—near the "Arctic Circle".



The increase in earnings was largely due to an improvement in bulk carrier shipments to Argentina and also reflected a full year's operation of the tanker "Siri" which began service in May, 1963. No new vessels were completed in 1964. This year, the 55,100 DWT (deadweight tons) tanker "Golar Solveig", two 6,100 DWT refrigerator ships and a new 101,550 DWT tanker will be added to our growing fleet. A converted bulk carrier, the 16,000 DWT "Don Segundo Sombra", was completed early this year and is now in service as a lightening ship in Argentina. Two more tankers (101,550 and 110,000 DWT) and two 80,000 DWT bulk carriers have been planned for delivery in 1966-1967.

Expenditures on new building and improvements to ships amounted to \$4,657,000 (U.S.) in 1964 and the shipping companies expect to spend about \$52,500,000 (U.S.) in 1965 through 1967. This includes \$2,500,000 in 1965 for improvements to six bulk carriers operated on long-term charter from others in order to enlarge their cargo capacity and reduce drafts. These include four vessels owned by a Norwegian company which is 44% owned by our subsidiary.

Canadian Coachways Limited

In January 1965, we acquired all of the outstanding preferred and 90% of the outstanding common shares of Canadian Coachways Limited, an Alberta company. The purchase price was \$200,000 in cash and 40,000 common shares of International or a total cost, based on market quotations for the International shares at the date of the purchase agreement, of \$1,320,000.

The Canadian Coachways system operates over 4,416 route miles in Alberta, British Columbia, the Yukon and Northwest Territories in western Canada. It owns and operates 82 buses, which carry passengers, express and mail, and 11 service vehicles.

United States and Canadian withholding taxes on dividends

For the three years ended December 31, 1964, more than 80% of the gross income of the Parent Company was derived from sources outside the United States. Therefore, dividends declared and paid by International in 1965, as well as in the three preceding years, will not constitute income from sources within the U.S. under the applicable provisions of the Internal Revenue Code and no U.S. withholding tax is required from such dividends.

As a corporation resident in Canada, however, we are still required to deduct the 10% Canadian withholding tax from dividend payments to U.S. and other non-Canadian shareholders. In most cases we believe that the Canadian tax withheld may be taken as a credit against the U.S. income tax payable by our U.S. shareholders on their income

International Utilities Corporation and subsidiaries

Statement of consolidated income

for the year ended December 31, 1964
with comparative figures for 1963
(Stated in Canadian currency—note 1)

	1964	1963
	as restated (note 1)	
Utility operations:		
Income:		
Natural gas	\$43,126,125	\$39,471,085
Electricity	13,196,184	12,205,406
Interest and dividends	379,555	383,853
Miscellaneous (net)	759,031	636,742
	<u>57,460,895</u>	<u>52,697,086</u>
Operating expenses:		
Natural gas purchased	13,265,500	11,342,384
Maintenance	2,189,648	1,975,471
Taxes—other than income taxes	3,321,352	3,119,968
Provision for income taxes (note 6)	6,945,909	6,711,831
Depreciation and amortization (exclusive of \$371,397 in 1964 and \$360,361 in 1963 charged to operations and maintenance)	5,061,032	4,735,064
Other operating costs	14,193,748	13,186,881
	<u>44,977,189</u>	<u>41,071,599</u>
Operating income	<u>12,483,706</u>	<u>11,625,487</u>
Deductions:		
Interest on long-term debt	3,348,779	3,123,664
Other interest	152,824	139,950
Less interest during construction charged to property, plant and equipment	(92,796)	(82,698)
Amortization of debt discount, premium and expense, less profit on bonds purchased for cancellation	60,803	76,634
Dividends paid or accrued on preferred shares of subsidiaries	1,126,485	1,126,556
Proportion of net income applicable to minority interests in common stocks of subsidiaries	780,285	705,153
	<u>5,376,380</u>	<u>5,089,259</u>
Net income from utility operations	<u>7,107,326</u>	<u>6,536,228</u>
Shipping operations:		
Net income of Gotaas-Larsen companies (note 7)	2,112,519	610,131
Interest paid to another consolidated subsidiary by the Gotaas-Larsen companies	141,252	9,775
	<u>2,253,771</u>	<u>619,906</u>
Provision for taxes on net income of Gotaas-Larsen companies (note 7)	523,000	149,000
Net income from shipping operations	<u>1,730,771</u>	<u>470,906</u>
Industrial operations:		
Net income from industrial operations (note 8)	<u>1,004,000</u>	<u>416,115</u>
Other income:		
Income:		
Interest and dividends	1,456,944	1,136,750
Miscellaneous	148,773	36,451
	<u>1,605,717</u>	<u>1,173,201</u>
Expenses:		
General and administrative (including depreciation of \$12,330 in 1964 and \$12,568 in 1963)	406,592	368,128
Provision for income taxes	371,107	425,843
	<u>777,699</u>	<u>793,971</u>
Net other income	<u>828,018</u>	<u>379,230</u>
Net income, excluding gain on disposition of investments	<u>10,670,115</u>	<u>7,802,479</u>
Net gain on disposition of investments (after deducting estimated U.S. capital gains tax of \$302,821 in 1964 and \$464,200 in 1963 and other applicable expenses)	836,080	1,326,788
Net income, including gain on disposition of investments	<u>\$11,506,195</u>	<u>\$ 9,129,267</u>

See pages 18 and 19 for notes to financial statements which are an integral part of this statement of consolidated income.

Shareholders' equity

as of December 31, 1964
with comparative figures as of
December 31, 1963
(Stated in Canadian currency—note 1)

	1964	1963
Preferred stock, par value \$25 per share:		
Authorized for issuance, 88,605 shares \$2 convertible preferred stock and 100,000 shares unclassified as to series		
Outstanding, 21,789 shares \$2 convertible preferred stock as of December 31, 1964 (581,496 shares in 1963) (note 9)	\$ 544,725	\$14,537,400
Common stock, par value \$2.50 per share (note 9):		
Authorized, 10,000,000 shares; reserved for conversion of preferred stock, 39,220 shares, exercise of stock options, 63,784 shares, and Canadian Coachways commitment, 44,500 shares (notes 10 and 12)		
Outstanding, 6,713,246 shares as of December 31, 1964 (5,572,563 shares in 1963)	16,783,117	13,931,408
Surplus, per accompanying statements:		
Paid-in surplus (see statement below)	36,655,325	25,196,656
Earned surplus (see statement below and note 5)	48,318,110	43,122,248
Total shareholders' equity	<u>\$102,301,277</u>	<u>\$96,787,712</u>

Statement of consolidated paid-in surplus

for the year ended December 31, 1964
with comparative figures for 1963

Balance at beginning of year	\$ 25,196,656	\$13,149,610
Add:		
Paid-in surplus of Northland Utilities applicable to additional shares acquired for cash	5,241	1,753
Excess of net proceeds (cash or debentures converted) on issue of common shares by consolidated subsidiaries over net assets or par value applicable thereto	40,105	45,600
Premium on 21,401 common shares issued upon exercise of employees' stock options (19,249 in 1963)	218,871	192,994
Excess of par value of 559,707 shares \$2 convertible preferred over par value of 1,119,285 common shares issued on conversion (2,876 in 1963)	11,194,445	28,760
Excess of the assigned value (approximate market) over par value of 574,532 shares of common stock issued in the exchange for capital shares of the Gotaas-Larsen companies	—	11,777,906
Adjustment in respect of common share bearer scrip	7	33
Balance at end of year	<u>\$ 36,655,325</u>	<u>\$25,196,656</u>

Statement of consolidated earned surplus

for the year ended December 31, 1964
with comparative figures for 1963

Balance at beginning of year	\$ 43,122,248	\$39,360,988
Add:		
Net income for year per statement of consolidated income	11,506,195	9,129,267
	<u>54,628,443</u>	<u>48,490,255</u>
Deduct:		
Dividends:		
\$2 convertible preferred (\$2 U.S. per share in 1964 and 1963)	1,198,372	1,257,336
Common (\$.90 Canadian per share in 1964 and \$.80 per share in 1963)	5,077,749	4,104,289
	<u>6,276,121</u>	<u>5,361,625</u>
Excess of cost over par value of Northland securities acquired for cash	34,212	6,382
	<u>6,310,333</u>	<u>5,368,007</u>
Balance at end of year	<u>\$ 48,318,110</u>	<u>\$43,122,248</u>

See pages 18 and 19 for notes to financial statements which are an integral part of these statements.

International Utilities Corporation and subsidiaries

Investments

as of December 31, 1964
(Stated in Canadian currency—note 1)

MARKETABLE SECURITIES

	Shares or principal amount	Market value
Canadian Investments:		
Peace River Mining & Smelting Limited—common stock	170,000	\$ 646,000
Power Corporation of Canada, Limited:		
Common stock	400,000	6,000,000
6% participating preferred stock	34,040	527,620
White Pass and Yukon Corporation Limited, The—common stock	107,400	966,600
Other common stocks	—	695,780
Short-term notes and deposits	\$6,239,740	6,239,740
U.S. Investments:		
Common Stocks:		
Atlantic Coast Line Company	9,000	798,750
Atlantic Coast Line Railroad Company	3,000	206,250
C. Brewer and Company Limited	208,000	3,848,000
Howe Sound Company	100,000	1,137,500
International Packers Limited	70,000	761,250
Martin Marietta Corporation	30,000	540,000
McCord Corporation	50,000	1,300,000
New York Central Railroad Company, The	250,000	12,062,500
Pacific Gas Transmission Company	100,000	1,575,000
Pennsylvania Railroad Company, The	200,000	7,725,000
Seaboard Air Line Railroad Company	24,000	1,062,000
Bonds sold in January 1965	—	733,475
Total marketable securities		<u><u>\$46,825,465</u></u>

OTHER INVESTMENTS

		Carrying Value
Canadian Investments:		
Rothesay Paper Corporation:		
6% participating preferred stock	50,000	\$ 500,000
6¾% general mortgage bonds due 1985 (with common share warrants)	\$ 500,000	480,000
Other	—	716,276
U.S. Investments	—	91,260
Total other investments		<u><u>\$ 1,787,536</u></u>

Long-term debt outstanding

as of December 31, 1964

(Stated in Canadian currency—note 1)

	Total amount	Current maturities
Canadian Western Natural Gas Company Limited :		
First mortgage sinking fund bonds :		
Series A—3½%—due April 1, 1971	\$ 3,722,000	\$ —
Series B—5¼%—due February 1, 1982	5,930,000	185,000
Series C—5¼%—due April 1, 1983	3,862,000	42,000
Series D—5¼%—due May 1, 1989	5,000,000	100,000
Northwestern Utilities, Limited :		
First mortgage sinking fund bonds :		
Series B—3½%—due December 15, 1971	1,882,750	204,750
Series C—3½%—due December 15, 1971	878,000	91,000
Series D—3½%—due December 15, 1971	2,395,000	227,500
Series E—3½%—due December 15, 1975	3,035,000	205,000
Series F—4¼%—due January 15, 1979	3,150,000	180,000
Series G—5¼%—due April 15, 1983	5,911,500	—
Series H—5¼%—due March 1, 1988	11,685,000	315,000
Notes payable—3½%—due September 1, 1969 (payable in annual instalments increasing from \$174,000 in 1965 to \$183,000 in 1968)	891,000	174,000
Canadian Utilities, Limited :		
First mortgage sinking fund bonds :		
Series A—3½%—due June 1, 1972	1,762,500	42,500
Series B—3½%—due December 1, 1974	552,750	15,000
Series C—3½%—due December 1, 1975	2,337,000	51,000
Series D—4¼%—due November 1, 1979	3,800,000	40,000
Series E—4¼%—due April 1, 1981	3,726,500	—
Series F—5¼%—due December 1, 1986	5,000,000	—
Convertible debentures—5¼%—Series A—due December 1, 1977 (36,400 common shares reserved for issuance on conversion)	910,000	—
Northland Utilities Limited :		
First mortgage sinking fund bonds :		
Series A—5%—due August 1, 1965	607,500	607,500
Series B—5%—due February 1, 1973	793,500	—
Series C—5¼%—due May 1, 1977	831,000	25,000
Series D—5¼%—due December 1, 1978	898,500	25,000
	(payable in U.S. currency)	
Gotaas-Larsen companies :		
Notes payable secured (note 4 page 18) :		
The Chase Manhattan Bank—5½%—due 1967	396,684	11,666
The Chase Manhattan Bank—6%—due 1965	778,928	778,928
The Provident National Bank—5¼%—due 1972	1,900,000	100,000
Den norske Creditbank—6¼%—due 1966	245,000	35,000
Metropolitan Life Insurance Co.—5½%—due 1965	533,000	123,000
Kawasaki Dockyard Co., Ltd.—5½%—due 1970	3,347,850	608,700
Notes payable unsecured :		
Andrew Weir & Co. Ltd. and the South American Saint Line Ltd. —due 1967	300,000	100,000
Subordinated debentures—5%—due December 31, 1965	2,277,139	2,277,139
Brown Brothers Contractors, Inc. :		
Notes payable unsecured :		
The Cleveland Trust Company—4¼%—due 1970	2,750,000	375,000
Total funded debt of subsidiaries	<u>\$82,090,101</u>	<u>\$6,939,683</u>

Note: These amounts of funded debt outstanding are stated after deducting \$578,000 Series A and \$73,000 Series C bonds of Canadian Western, \$203,500 Series G bonds of Northwestern, \$72,500 Series E bonds of Canadian Utilities and \$30,500 Series B bonds of Northland Utilities which have been repurchased and are held for future sinking fund payments.

International Utilities Corporation and subsidiaries

Notes to financial statements for the year 1964

Note 1 The consolidated financial statements are stated in Canadian currency and include the accounts of International Utilities Corporation and its Canadian subsidiaries, which operate in Canada and maintain their accounts in Canadian currency, and the accounts of all othersub-sidiaries including the Gotaas-Larsen companies and the industrial companies which are either maintained in or converted into U.S. currency and are included herein on a dollar-for-dollar basis in Canadian currency. All material intercompany items have been eliminated on consolidation.

In 1963 the accounts of the Gotaas-Larsen companies and the industrial companies were not included in the consolidated financial statements except that their net earnings, since acquisition, were included in consolidated income and the undistributed portion thereof was added to the cost of the respective investments. For comparative purposes the 1963 figures presented herein have been restated to include the accounts of the Gotaas-Larsen companies and the industrial companies on a consolidated basis.

Net assets of subsidiaries whose accounts are maintained in or converted into U.S. currency aggregated approximately \$40,300,000 and \$36,400,000 as of December 31, 1964 and December 31, 1963, respectively. Their combined net income included in the consolidated financial statements for the years ended December 31, 1964 and December 31, 1963 amounted to approximately \$3,600,000 and \$1,400,000, respectively, excluding gain on disposition of investments and to approximately \$4,400,000 and \$2,200,000, respectively, including such gain.

Note 2 Property, plant and equipment which includes approximately \$4,360,000 (1963—\$2,610,000) classified as intangibles and goodwill is summarized below:

	1964			1963
	Gross	Accumulated depreciation and amortization	Net	Net
Utility operations	\$210,298,730	52,676,826	157,621,904	151,471,448
Shipping operations	36,476,885	11,750,608	24,726,277	21,886,457
Industrial operations	10,049,750	3,952,633	6,097,117	1,499,193
Other	342,286	48,610	293,676	282,565
	<u>\$257,167,651</u>	<u>68,428,677</u>	<u>188,738,974</u>	<u>175,139,663</u>

Note 3 The underlying net book equity applicable to investments in associated companies exceeded their cost by approximately \$410,000 at December 31, 1964 and the equity in net earnings amounted to approximately \$270,000 for the year ended December 31, 1964.

Note 4 Certain notes payable of the Gotaas-Larsen companies are secured by naval mortgages on floating equipment and, in most instances, by assignment of moneys payable under charter party or ship sales agreements. Assigned monthly charter hire receipts relating to the notes payable to Metropolitan Life Insurance Co. and the 5½% notes payable to The Chase Manhattan Bank are deposited in cash

collateral accounts for payment of monthly instalments. Since the funds to meet the instalments on these notes arise from monthly charter hire receipts, only the instalments due in the month subsequent to the balance sheet date have been classified as current liabilities.

Note 5 The bond indentures executed by certain subsidiaries contain restrictions on the payment of dividends and the purchase of capital stock. Of the consolidated earned surplus of the Corporation at December 31, 1964, approximately \$18,000,000 was free of such restrictions.

Note 6 Certain subsidiaries are claiming depreciation for income tax purposes in excess of the amounts recorded in their accounts. As a result, the provision for income taxes has been reduced by \$508,000 in 1964 and \$491,000 in 1963 and an aggregate of \$7,465,000 to December 31, 1964. No provision is made in the accounts for accumulated income tax reductions in respect of depreciation, except for an amount of \$631,100, of which \$40,372 relates to 1964 and \$179,559 to 1963.

During 1962 and subsequent years, two subsidiaries acquired certain natural gas rights which were written off for Canadian income tax purposes in the year of acquisition. As a result, income taxes otherwise payable have been reduced by \$344,323 in 1964 and \$1,094,902 in 1963 and an aggregate of \$1,555,625 to December 31, 1964. These amounts, which have been provided in the accounts, will be used to reduce income tax expense in those future years in which the cost of the natural gas rights acquired will be charged against income.

Note 7 The combined statement of income of the Gotaas-Larsen companies for the year ended December 31, 1964 (with comparative figures for 1963) is summarized below:

	1964	1963
Income:		
Operating revenues	\$17,678,912	\$15,008,557
Interest	166,750	179,532
	<u>17,845,662</u>	<u>15,188,089</u>
Expenses:		
Operations and administration	13,423,665	11,396,113
Depreciation	1,705,262	1,717,521
Interest	584,447	688,192
Provision for income taxes	19,769	13,372
	<u>15,733,143</u>	<u>13,815,198</u>
Net income	<u>\$2,112,519</u>	<u>\$1,372,891</u>
Net income since date of acquisition included in consolidated net income	<u>\$2,112,519</u>	<u>\$ 610,131</u>

The tax laws of the various countries in which the Gotaas-Larsen companies operate are such that their income is substantially free of income taxes in those countries. However, a provision for income taxes aggregating \$672,000, of which \$523,000 relates to 1964 and \$149,000 to 1963, representing 25% of the net non-U.S. earnings of the Gotaas-Larsen companies included in consolidated earned surplus, has been provided in the consolidated accounts as an estimate for U.S. income taxes which may become payable in the future.

Note 8 Income from industrial operations for the year ended December 31, 1964 (with comparative figures for 1963) is summarized below:

	1964	1963
Net sales	\$7,896,061	\$3,656,280
Gross profit before depreciation	3,238,298	1,464,847
Other income	66,738	55,603
Total	3,305,036	1,520,450
Selling, administrative and general expenses	803,313	363,549
Federal and state income taxes	860,879	472,500
Depreciation and amortization	568,534	268,286
Interest	68,310	—
	2,301,036	1,104,335
Net income	\$1,004,000	\$ 416,115

Note 9 During 1964, 559,707 shares of \$2 Convertible Preferred stock were converted into 1,119,285 shares of common stock. The preferred stock is cumulative as to dividends and has equal voting rights with the common.

The outstanding shares of \$2 Convertible Preferred have been called for redemption as of June 1, 1965 at the redemption price of \$42 (U.S.) per share, plus accrued and unpaid dividends. The preferred stockholders have the right, at any time prior to the close of business on June 1, 1965, to convert each of their shares into 1.8 shares of common stock.

Note 10 Options are outstanding to 127 officers and employees of the Corporation and its subsidiaries for the purchase of 33,954 shares of common stock under Employees Stock Option Plan B adopted March 11, 1959 covering an aggregate of 150,000 shares. Under the plan, options may be granted at a price not less than 85% of the fair market value of the stock at date of grant, but in no event less than \$12.50 (U.S.) per share, and are exercisable in variable amounts over a period of seven years from date of grant. Of the 33,954 options outstanding at the end of the year, 23,718 were granted at \$12.50 per share, 336 at \$13.875 per share, 840 at \$18.00 per share, 360 at \$17.50 per share, 5,000 at \$19.00 per share, and 3,700 at \$20.50 per share. On January 1, 1964, there were 52,375 shares issuable pursuant to options. During the year, options for the purchase of 21,401 shares were exercised for cash consideration aggregating \$272,373. In addition an option for 720 shares was cancelled and options for 3,700 shares were granted.

At the beginning of the year, there were 32,810 shares available for the granting of additional options. With the granting of options covering 3,700 shares and the cancellation of an option covering 720 shares, this became 29,830 shares at the end of the year.

Note 11 The Corporation has leased the "Milner Building" in Edmonton at a fixed annual net rental of \$446,682 plus realty taxes, insurance etc. until February, 1991 with provision for 3 renewal terms of 10 years each at fixed annual net rentals of \$174,800.

Note 12 During 1964 the Corporation entered into an agreement, (consummated January 21, 1965), to acquire substantially all the out-

standing capital shares of Canadian Coachways Limited in exchange for 40,000 shares of authorized but unissued common stock of the Corporation plus a further cash consideration of \$200,000. Concurrently, the Corporation entered into an agreement with Mr. M. R. Collins, President of Canadian Coachways Limited, under which at anytime within five years it may acquire, or Mr. Collins may demand that it acquire, the remaining outstanding capital shares of Canadian Coachways Limited in exchange for 4,500 authorized, but unissued shares of common stock of the Corporation.

In February, 1965 the Corporation entered into an agreement to purchase the Ryder System, Inc. investments in motor trucking subsidiaries. The purchase price is to be approximately \$16,000,000 (U.S.) payable in cash and notes. Consummation of the agreement is contingent upon certain approvals by the U.S. Interstate Commerce Commission.

The Gotaas-Larsen companies have open commitments aggregating approximately \$25,500,000 for the purchase of five vessels now under construction and one vessel under reconstruction. Five of the vessels will be delivered in 1965 and one in 1966. Mortgage financing has been arranged on three of these vessels aggregating approximately \$16,600,000. In addition the companies have a commitment for a bank loan of \$4,100,000 of which \$3,700,000 is expected to be applied against the cost of two of the other vessels.

The Gotaas-Larsen companies are obligated under time charter agreements, expiring from 1965 to 1978 covering twelve vessels. Hire payments aggregated \$6,250,000 during 1964.

PEAT, MARWICK, MITCHELL & CO.
CHARTERED ACCOUNTANTS

Accountants' Report

To the Board of Directors and Shareholders
of International Utilities Corporation

We have examined the consolidated balance sheet of International Utilities Corporation and subsidiaries as of December 31, 1964 and the related statements of consolidated income and consolidated surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income and consolidated surplus present fairly the financial position of International Utilities Corporation and subsidiaries at December 31, 1964, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year (as restated see note 1).

Peat, Marwick, Mitchell & Co.

Toronto, Ontario
February 26, 1965

Comparative ten-year record

(1) The amounts for the years subsequent to 1960 are expressed in Canadian currency and include income arising in United States currency which has been converted on a dollar-for-dollar basis. For the year 1960 and prior the amounts shown are expressed in United States currency, with the Canadian currency accounts of the subsidiaries included therein on a dollar-for-dollar basis.

(2) Based on average shares outstanding during the years 1963 and 1964. The number of common shares, earnings per share and dividends per share for prior years have been adjusted to basis of shares outstanding at the end of each year after giving effect to (1) the 100% conversion of \$1.40 convertible preferred stock, (2) the share-for-share distribution of common stock made on August 31, 1957, and (3) the two-for-one stock split which became effective May 15, 1963.

(3) Reclassification of service in 1964 classified as commercial and small industrial in prior years.

FINANCIAL ⁽¹⁾	1964	1963	1962
Consolidated net income:			
Excluding gain on disposition of investments	\$ 10,670,115	\$ 7,802,479	\$ 7,032,806
Gain on disposition of investments (net)	836,080	1,326,788	1,530,163
Total	\$ 11,506,195	\$ 9,129,267	\$ 8,562,969
Earned per share of common stock:⁽²⁾			
Excluding gain on disposition of investments	\$ 1.67	\$ 1.26	\$ 1.16
Including gain on disposition of investments	1.82	1.52	1.47
Dividends per common share⁽²⁾	.90	.80	.77½
Earned surplus (consolidated)	48,318,110	43,122,248	39,360,988
Shareholders' equity (consolidated)	102,301,277	96,787,712	79,523,747
Total assets (consolidated)	\$249,084,210	\$233,531,565	\$190,531,419
Shares outstanding:			
\$2 convertible preferred	21,789	581,496	582,934
Common ⁽²⁾	6,713,246	5,572,563	4,975,918
STATISTICAL			
Number of customers at end of year:			
Natural gas	231,484	222,822	214,806
Electric	64,021	62,523	61,274
Total	295,505	285,345	276,080
			(000 omitted)
Revenue—sale of natural gas:			
Residential	\$ 21,654	\$ 20,021	\$ 19,769
Commercial	12,076	10,795	10,480
Industrial, etc.	9,396	9,080	8,231
Other subsidiaries—eliminated on consolidation	218	205	163
	43,344	40,101	38,643
Rate deficiency credit—less amortization	—	(425)	(650)
Total	\$ 43,344	\$ 39,676	\$ 37,993
MCF natural gas sold:			
Residential	41,858	38,770	38,547
Commercial	33,196	29,916	28,810
Industrial, etc.	46,982	45,520	41,327
Other subsidiaries	827	802	650
Total	122,863	115,008	109,334
Revenue—sale of electricity:			
Residential	\$ 3,558	\$ 3,343	\$ 3,147
General service ⁽³⁾	4,981	3,607	3,152
Industrial	2,379	3,249	3,172
Other sales, including rural and municipal	2,278	2,006	1,922
Total	\$ 13,196	\$ 12,205	\$ 11,393
KWH electricity sold:			
Residential	116,791	104,825	93,536
General service ⁽³⁾	112,129	71,271	60,163
Industrial	96,332	109,205	102,075
Other sales, including rural and municipal	99,419	85,960	77,314
Total	424,671	371,261	333,088

1961	1960	1959	1958	1957	1956	1955
\$ 6,584,771	\$ 5,936,065	\$ 5,314,234	\$ 3,911,110	\$ 3,634,795	\$ 3,986,800	\$ 3,574,321
3,252,950	576,922	830,126	2,134,752	3,540,486	592,556	3,217,154
<u>\$ 9,837,721</u>	<u>\$ 6,512,987</u>	<u>\$ 6,144,360</u>	<u>\$ 6,045,862</u>	<u>\$ 7,175,281</u>	<u>\$ 4,579,356</u>	<u>\$ 6,791,475</u>
\$ 1.09	\$ 1.04	\$ 1.07	\$.80	\$.74	\$.82	\$.74
1.75	1.16	1.24	1.23	1.47	.94	1.40
.75	.70	.62½	.55	.50	.47½	.40
35,905,026	29,577,327	27,277,214	24,199,513	21,104,629	16,342,556	14,575,061
75,811,013	65,654,347	59,750,111	43,371,124	40,208,591	35,369,105	33,517,444
\$183,565,799	\$170,458,627	\$161,669,038	\$147,986,588	\$124,502,398	\$107,909,886	\$96,656,381
583,134	405,000	350,000	—	—	—	—
<u>4,957,608</u>	<u>4,929,862</u>	<u>4,920,360</u>	<u>4,896,678</u>	<u>4,886,166</u>	<u>4,875,276</u>	<u>4,862,024</u>
204,126	185,885	176,252	163,119	150,142	138,973	128,942
58,557	46,082	44,055	41,592	38,094	35,642	34,833
<u>262,683</u>	<u>231,967</u>	<u>220,307</u>	<u>204,711</u>	<u>188,236</u>	<u>174,615</u>	<u>163,775</u>
\$ 18,276	\$ 17,026	\$ 14,340	\$ 11,427	\$ 10,850	\$ 10,210	\$ 9,438
9,603	8,279	7,032	5,764	5,480	5,126	4,850
7,592	7,184	6,274	5,392	5,348	4,977	4,356
95	72	48	17	100	213	189
35,566	32,561	27,694	22,600	21,778	20,526	18,835
(650)	(650)	2,375	—	—	(75)	(75)
<u>\$ 34,916</u>	<u>\$ 31,911</u>	<u>\$ 30,069</u>	<u>\$ 22,600</u>	<u>\$ 21,778</u>	<u>\$ 20,451</u>	<u>\$ 18,760</u>
35,930	34,546	33,660	29,713	28,796	28,004	26,099
26,722	24,051	23,448	21,275	20,549	19,585	18,710
38,331	36,833	37,020	34,536	33,906	31,762	27,858
401	272	232	90	569	1,487	1,361
<u>101,384</u>	<u>95,702</u>	<u>94,360</u>	<u>85,614</u>	<u>83,820</u>	<u>80,838</u>	<u>74,029</u>
\$ 2,749	\$ 2,023	\$ 1,831	\$ 1,596	\$ 1,330	\$ 1,236	\$ 1,132
2,782	1,791	1,595	1,388	1,045	958	889
2,996	2,638	2,242	1,876	1,785	1,647	1,421
1,755	1,298	1,307	1,062	874	772	607
<u>\$ 10,282</u>	<u>\$ 7,750</u>	<u>\$ 6,975</u>	<u>\$ 5,922</u>	<u>\$ 5,034</u>	<u>\$ 4,613</u>	<u>\$ 4,049</u>
79,876	58,368	51,411	43,018	36,372	32,565	28,680
52,430	34,747	30,839	26,219	20,085	18,181	16,020
95,672	85,712	76,110	64,361	61,602	56,907	46,838
65,913	57,703	58,544	47,913	34,867	29,377	21,454
<u>293,891</u>	<u>236,530</u>	<u>216,904</u>	<u>181,511</u>	<u>152,926</u>	<u>137,030</u>	<u>112,994</u>

International Utilities Corporation

Policy and aims of system companies

To provide dependable gas, electric and other services to their customers at the lowest rates which are economically sound.

To give stable employment at fair wages and under good working conditions.

To earn for those who have invested their savings in this enterprise a fair return on their investment.

The companies seek to fulfill their civic obligations by taking an active part in movements designed to bring about progress and betterment in the communities they serve.